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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of

Interconnection Between Local Exchange Carriers
and Commercial Mobile Service Providers

CC Docket No. 95-185

Equal Access and Interconnection Obligations
Pertaining to Commercial Mobile Radio Service
Providers

CC Docket No. 94-54

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COMMENTS OF ALLTEL CORPORATION

ALLTEL Corporation ("ALLTEL") hereby submits its comments in the above-referenced matter.¹ As a diversified telecommunications company with both wireline and

¹ See Notice of Proposed Rulemaking in the Matter of Interconnection Between Local Exchange Carriers and Commercial Mobile Services Providers, CC Docket No. 95-185 and Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Service Providers, CC Docket No. 94-54, FCC 95-505 (Released January 11, 1996) (the "NPRM"). While the NPRM originally set February 26, 1996 as the due date for comments, both the requests of interested parties for additional time and the passage of the landmark Telecommunications Act of 1996 (the "1996 Act") augured for an extension of the original comment date. The Commission's Further Notice of Proposed Rulemaking, DA 96-61 (Released February 16, 1996) (the "Further NPRM"), extended the deadline for comments until March 4, 1996 and expanded the scope of the original notice to include matters addressed in the new Act. Under the deadline set in the Further Notice, ALLTEL's comments are timely filed.

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wireless interests, ALLTEL² believes that the potentially conflicting interests of both its wireline and wireless businesses can best be resolved through broad-based interconnection reform designed to ensure implementation of cost-based mutual compensation agreements between Commercial Mobile Service ("CMS") providers and Local Exchange Carriers ("LECs"). ALLTEL is prepared to enthusiastically greet the era of competition which the Telecommunications Act of 1996 will bring, but believes that local exchange competition and interconnection reform should be ushered in through reforms benefiting all telecommunications carriers and under the flexible approach dictated by the 1996 Act.³

**I. BILL AND KEEP SHOULD NOT BE IMPLEMENTED
ON AN INTERIM BASIS FOR LEC/CMS
INTERCONNECTION.**

**A. The NPRM's Proposal is Inherently Contradictory;
Bill and Keep is Efficient Only Under Conditions
Which Do Not Currently Exist.**

As noted in the NPRM, mutual compensation for interconnection between LECs and CMS

²ALLTEL, headquartered in Little Rock, Arkansas, is an independent telephone holding company with subsidiaries providing wireline services to over 1,627,000 million access lines and cellular services to over 500,000 subscribers. ALLTEL subsidiaries also provide information services and supply communications equipment.

³ALLTEL fully supports the concept of mutual compensation between LECs and CMS providers and notes that it is the current standard required under both the Commission's generalized policy and the 1996 Act.

providers has long been the Commission's policy. NPRM at para. 21. This requirement and the mandate of the 1996 Act notwithstanding, the Commission has now determined that this general policy may best be implemented by mandating, at least on an interim basis, a particular form of reciprocal compensation which is allegedly "mutual" -- bill and keep. Under the proposal, bill and keep would only be implemented for terminating access at either the LEC central office or equivalent CMS facilities. NPRM at para. 15.⁴

The Commission's tentative decision is based in large part on the conclusions of the Brock paper submitted in this proceeding by Comcast. NPRM at paras. 32-35. Under the Brock analysis, bill and keep is an economically efficient way to terminate traffic where either of two conditions are met: 1) call traffic is balanced in both directions between the CMS provider and the LEC; or 2) costs for termination are so small that the rate is effectively zero. The Commission, however, openly admits that neither condition currently exists.

1. Call Traffic is Not Balanced.

The NPRM notes that a far larger percentage of calls currently flow from the CMS network to the LEC network than in the other direction. NPRM at para. 40. This acknowledged imbalance in traffic critically undermines the first of the two rationales for bill and keep. The Commission has identified a number of reasons for the imbalance (subscriber hesitance to disclose

⁴ ALLTEL notes that its principal concern is with this aspect of the Commission's proposal. ALLTEL does not take issue with either of the tentative conclusions in the NPRM that dedicated transport may be charged through flat rates in a manner analogous to those provided in current interstate and intrastate access tariffs, or that costs associated with shared transport may be recovered using usage sensitive rates. NPRM at para. 15.

their wireless numbers, unwillingness to pay for air time on incoming calls, or conservation of battery life.) These problems are very real impediments to achieving balanced traffic between CMS providers and LECs for which solutions are neither easy nor readily available.

Further, and in view of these problems, those LECs willing to charge customers calling wireless numbers⁵ may take little solace in Brock's analysis that bill and keep would provide the incentive for carriers to originate more traffic inasmuch as they receive revenue from outgoing traffic. Unless a wireless unit is on, a call cannot be connected. A LEC would be forced to recover its costs from a subscriber whose call may not have been completed, except perhaps to a voice mail message indicating that the unit called is not in service. In short, until the reasons for the traffic imbalance are rectified, there is no incentive for a LEC to maximize traffic to a CMS provider and bill and keep becomes a far less efficient form of mutual compensation.

2. LECs Have Costs Associated With Termination Which Must Be Fully Recovered.

The Brock analysis indicates that LEC costs of terminating access off-peak approach zero (NPRM at paras. 33-34.) Cox indicates that the average cost of LEC central office termination is approximately \$.002 per minute (NPRM at para. 36) although it is noted that the costs associated with peak-time termination are considerably higher. In ALLTEL's view, any use of capacity entails costs. Regardless of whether off-peak costs for termination approach zero, the cost never equals zero. Bill and keep does not provide LECs with the opportunity to recover those

⁵ ALLTEL does not currently impose upon its LEC subscribers any additional charge for placing local calls to CMS units.

costs. The situation is exacerbated where call traffic is unbalanced as it is between CMS and LEC systems. Further, while off-peak termination costs may be a fraction of a cent, the total cost becomes considerable when calling volumes are taken into account. Were these charges for termination to be removed from the LEC's revenue stream, they would of necessity have to be recovered elsewhere.

As an independent telephone holding company, ALLTEL notes that its subsidiaries lack the economies of scale of many wireline and wireless competitors. Termination costs vary as a function of capacity which, in turn, differs greatly among carriers and particularly independent LECs. Given the generally smaller scope of their calling areas, the costs associated with terminating access are generally higher than for the larger carriers and do not come close to zero. Imposition of a bill and keep arrangement would therefore impose a significant hardship on most independent LECs.

A bill and keep mandate requires that a LEC terminate CMS traffic at below cost. NPRM at para. 34. When the traffic imbalance between LEC termination and CMS termination is taken into account, bill and keep would constitute a sizable LEC subsidy to the same wireless providers to which the Commission looks to provide new competition in the provision of local exchange services. Yet, LEC termination charges, which add only minimally to the rates paid by CMS subscribers, have not been shown under any analysis to present an impediment to the evolution of competitive wireless services. Bill and keep therefore would produce the untenable result of requiring a smaller independent phone company, like ALLTEL, to implicitly subsidize the wireless operations of vastly larger (and recently unregulated) telecommunications companies.

Ultimately, ALLTEL believes that CMS local exchange services should be made competitive through market forces driving down the price of air time and not by making LEC services more expensive through implicit subsidies to competitors.

**II. CMS/LEC COMPETITION AND INTERCONNECTION CANNOT
BE CONSIDERED ALONE; A COMPREHENSIVE
PROCEEDING ADDRESSING BROAD
INTERCONNECTION REFORM IS THE BEST APPROACH.**

**A. The NPRM Has Been Overtaken by the 1996 Act Which Requires
That Carriers and the States Address Broad, Non-Discriminatory
Interconnection Issues.**

In the time since the release of the NPRM, the Telecommunications Act of 1996 was signed into law. The 1996 Act accomplishes many of the same goals the Commission sought to reach in the NPRM, including mutual compensation for CMS carriers. The 1996 Act, however, requires parties to implement mutual compensation through a far more flexible mechanism than the Commission's flat prescription for bill and keep.

Sections 251 and 252 of the 1996 Act reaffirm a carrier's obligations under Section 201 to provide reasonable interconnection to other telecommunications carriers and imposes on incumbent LECs a strict regimen of interconnection and unbundling requirements. The 1996 Act also embodies a preference for privately negotiated interconnection agreements and expressly delegates to the states the role of both approving such agreements and mediating disputes between the parties where no agreement can be reached. The Commission's role is largely limited to

setting interconnection and unbundling standards and resolving disputes where the states fail to do so within the timeframes prescribed by the Act. LECs are required to submit interconnection agreements to the states and to make them publicly available.

Mutual compensation is the established standard for interconnection under the 1996 Act and, although not mandated, parties are free to implement bill and keep arrangements should they so wish. ALLTEL supports mutual compensation for LEC/CMS interconnection and believes that CMS carriers are entitled to compensation by a LEC for LEC originated traffic terminating on the CMS carrier's network. The type of compensation and the other terms of the interconnection arrangement, however, should be negotiated by the parties under the approach set forth in the 1996 Act. There is therefore little need for the Commission to dedicate its heavily taxed resources to mandating any interim variety of mutual compensation, let alone specifying bill and keep. There is no current need for the Commission to take any action other than to adopt the guidelines for the interconnection contemplated by the 1996 Act. In short, the Commission should let the process established by Congress run its course and afford all parties the flexibility to negotiate mutual compensation agreements among themselves under the supervision of the states.

**B. Interconnection Rates Cannot be
Effectively Reformed on a Piecemeal Basis.**

The Commission notes that the physical interconnections required to terminate calls originating on a variety of networks are virtually the same and views the NPRM as an initial step in its efforts to achieve comprehensive reform. NPRM at para.17. Yet, rather than approach

interconnection from a broad-based perspective which would encompass the interests of LECs, competitive local exchange carriers, interexchange carriers as well as CMS providers, the NPRM confers the status of potential local exchange competitor only upon the latter. Pursuit of the NPRM would therefore first confer the benefits of reform upon a particular class of carriers contrary to a principal goal of the 1996 Act -- cost-based rates for interconnection which do not discriminate for or against any particular class of competitor. ALLTEL believes that interconnection reform should be technology-neutral and promote entry of competitive carriers on an equal basis.

The 1996 Act mandates cost-based interconnection rates for all carriers. If this goal is to be achieved, the Commission must focus on developing efficient, competitively neutral interconnection rules and afford LECs the opportunity to appropriately redistribute their costs and revise rates. In this connection, ALLTEL notes that long term interconnection reform cannot truly be achieved until the universal service subsidies contained in many LEC rates are eliminated in favor of the explicit universal service funding mechanism contemplated by Section 254 of 1996 Act. These rulemakings should become the Commission's highest priority.

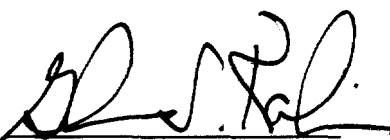
III. CONCLUSION.

ALLTEL believes that, while the NPRM has been overtaken by the mandates of the 1996 Act, the Commission will have succeeded in developing a valuable record in this proceeding which will be of later use in the larger interconnection reform proceeding. Rather than mandate a particular form of mutual compensation at this time, the Commission should consider the record accumulated in this proceeding as part of its larger attempts to promote interconnection reform.

Until then, the Commission should refrain from mandates and allow the 1996 Act, which favors both mutual compensation and state-supervised private negotiation over regulation, to take effect.

Respectfully submitted,

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